

BUSINESS CONDITIONS

SEVENTH FEDERAL



RESERVE DISTRICT

VOLUME 5, NUMBER 8

CHICAGO, AUGUST 31, 1922

IN addition to the effects of industrial disturbances, economic and business conditions in the Seventh Federal Reserve District during July were influenced by the usual seasonal changes. The crop-moving demand for funds from the agricultural districts is not yet general. The volume of business, as indicated by debits to individual accounts during July, was well sustained throughout the district, except in Chicago, although in the first weeks of August there was a considerable falling off in debits outside of Chicago. Government statistics, as well as reports direct to this bank, indicate larger crop yields than last year, except for corn, which on August 1 was estimated at 15,000,000 bushels less in this district. The movement and storage of live stock products show seasonal trends modified by exceptional conditions. Sales of mail order houses increased; the larger department stores report business ahead of last year. The movement of wholesale goods, except groceries, continued the improvement over last year noted in June. The manufacture of clothing and furniture was seasonally more active, but in almost all other lines declines are reported.

Money and Banking

The demand for funds from trade and industry during July showed little change except in a few manufacturing centers, where there has been a slight increase. In some cases, borrowers who have been out of the market have applied for accommodation, but others have been paying off old loans, leaving aggregate loans about the same. Reports indicate that

farmers throughout the district are very conservative in their borrowings and are confining the use of credit to obtaining money to meet actual operating expenses. Some borrowing is reported, however, for the purpose of putting cattle in the pastures. The seasonal marketing of fat hogs is about completed, but the movement to market at present is sufficient to cover operating expenses and to afford some further liquidation.

There has been considerable softening of rates during the year on loans secured by first-class farm mortgages. The customary rate is now $5\frac{1}{2}$ per cent, with 2 per cent commission on a five-year loan, making gross interest cost about 6 per cent per annum. Few of these loans are now being placed, however, owing to the lack of a demand for funds. The ruling rate on commercial loans, in cities outside of the largest centers, is 6 per cent, although 7 per cent is reported in some cases; in most of the country districts it is higher, running from 7 to 8 per cent, with some loans as low as 6 per cent. Customary money rates reported by Chicago banks were on the same general level in the 30-day period ending August 15 as in the preceding 30 days, although both reductions and increases appear in individual cases. Discount rates charged customers for 90-day maturities ranged from $4\frac{1}{4}$ to $5\frac{1}{2}$ per cent with the customary rate remaining at from 5 to $5\frac{1}{2}$ per cent.

The number of business failures in this district in July shows a slight increase over June, but the liabilities involved were considerably

COMPILED AUGUST 28, 1922

greater. In the country as a whole, however, both insolvencies and indebtedness show practically no change.

Capital stock sales and transfers as evidenced by the sales of stamps in the first revenue district of Illinois during July were only 55 per cent of the monthly average for the first half of 1922 and were 28 per cent less than in February, the lowest previous month this year. They were only 36 per cent of the January high for 1922.

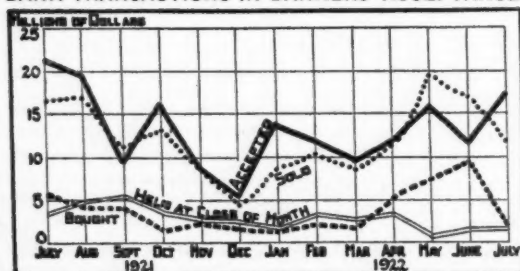
Commercial Paper and Acceptances

Aggregate sales of six commercial paper dealers in the district reporting direct to this bank show a small increase during July. Compared with a year ago, however, sales have increased nearly 50 per cent; three of these dealers show decreases during the month. Sales are reported well scattered throughout the district, but were heaviest in the large centers. Demand for paper bearing high-grade names was very good; buyers who have not bought for two years are coming into the market. Dealers report that purchases of Government securities and other tax exempt bonds are affecting sales of commercial paper because of the higher returns received. Grain and milling firms are said to be coming into the market for funds. Rates on paper were reported as low as $3\frac{3}{4}$ per cent, with the majority of sales at 4 and $4\frac{1}{4}$, and some as high as $5\frac{1}{4}$.

Acceptance transactions as reported to this bank by twenty-seven banks, representing the bulk of the accepting business in the district, show a large increase in bills accepted during July, compared with June, while bills bought by the same banks decreased approximately 80 per cent. The decrease this month was caused by three of these banks making rather large purchases in June, but buying little or no bills during July. Bills sold continued the decrease begun in June. Bills held at the close of July changed only slightly from the preceding month. Ten of the reporting banks show no transactions in bankers' acceptances during the month.

Purchase rates ranged from 3 to $3\frac{3}{4}$ per cent, showing no change from last month. The maturities of bills purchased were divided in the following ratios: 90-day, 7.7 per cent; 60-day, 7.0 per cent; 90-day, 75.1 per cent; 180-day, 10.2 per cent. Bills were reported drawn against meats and provisions, grain, agricultural machinery, coffee, wool, manufacturing equipment, tea, sugar, and hides.

BANK TRANSACTIONS IN BANKERS' ACCEPTANCES



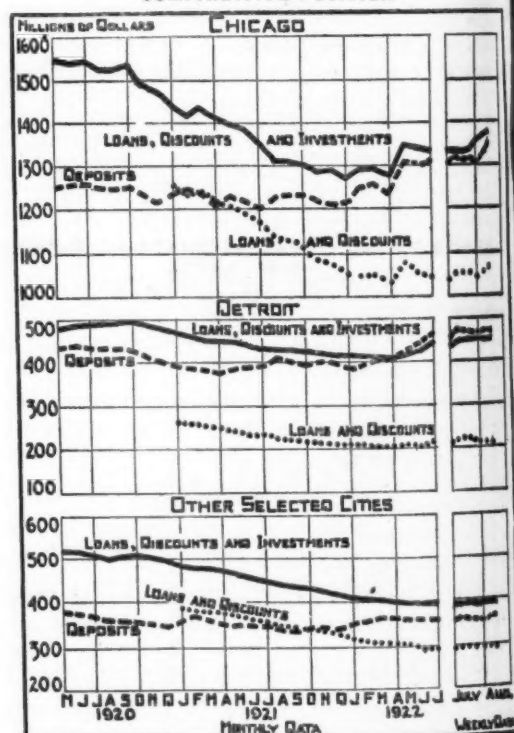
Bankers' acceptances purchased in this district by six bill dealers reporting direct to this bank increased from a weekly average of \$3,239,000 for the five weeks ending July 15, to \$3,950,000 weekly average for the four weeks ending August 12. For the same periods average weekly sales decreased from \$5,122,000 to \$3,795,000. Sales to the reserve bank decreased, but constituted 64 per cent of the total sales in the current period compared with 53 per cent in the preceding period.

Purchases of bills by this reserve bank decreased from thirty-six million dollars in June to twenty-one millions in July, while sales from holdings showed little change; bills held at the close of the month were nine millions less than at the close of June, a decrease of 43 per cent.

Member Banks in the Seventh Reserve District

Deposits, as well as loans and discounts, and investments, at reporting member banks in Detroit increased considerably during July over June, but these items showed only slight changes in the member banks in other cities of the district. Both time and demand deposits at Detroit were larger in July than in June. The increase in demand deposits at reporting banks in Chicago was partly offset by a decrease in Government deposits; loans secured by stocks and bonds increased slightly, while other classes of loans decreased.

REPORTING MEMBER BANKS, SEVENTH DISTRICT COMPARATIVE POSITION



Note: Monthly data are averages of weekly figures.

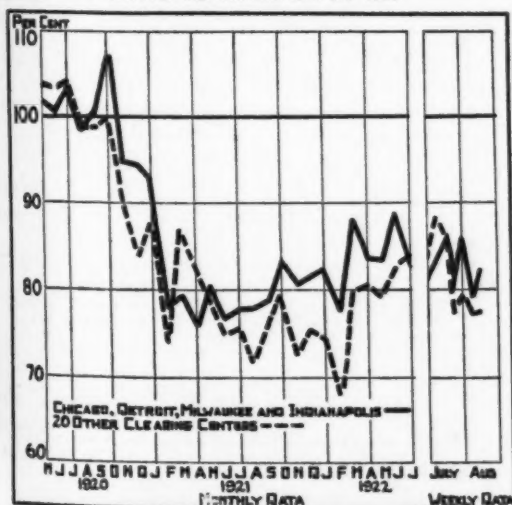
In the two weeks ending July 12, increases in demand deposits were shown in all groups of cities, but since that time the trend generally was downward until August 16, when increases again appeared in all groups, especially large in Chicago. Government deposits did not change materially during July, but were much reduced on August 2; on August 9 they were increased to the highest figure since the middle of June. The large increase in investments in Chicago, August 2, is partially accounted for by subscription to the issue of United States Treasury notes on August 1, for which adjustment on the basis of allotments had not yet been made, but in the week following holdings were still considerably higher than on July 26.

Debits by Banks to Individual Accounts

Weekly debits to individual accounts by banks in twenty-four leading cities of the district averaged considerably less during July than June, but were more than July a year ago. The decrease is largely due to a smaller volume in Chicago, since aggregate debits for the remainder of the district show increase over June. The Chicago decrease also accounts for the decrease in the total debits of the four largest centers, since Detroit and Milwaukee increased considerably, while Indianapolis showed only a slight decrease. Last year, Chicago debits for July were only slightly less than those of June and the decrease was more than offset by an increase in Detroit even larger than that of this year. Aggregate debits in the smaller cities show approximately the same increase over June as was shown last year.

Debits for the three-week period ending August 16 were considerably less than for the corresponding period in July both in the aggregate for the smaller

DEBITS TO INDIVIDUAL ACCOUNTS AT CLEARING HOUSE BANKS RATIO TO AVERAGE IN 1920



Note: Monthly data are averages of weekly figures.

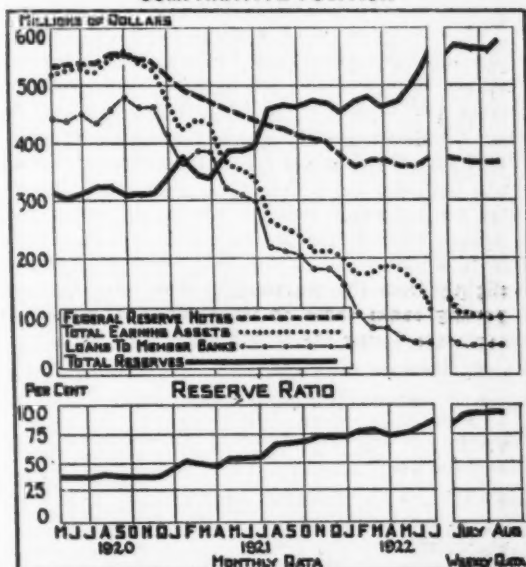
centers as well as in each of the four largest centers, except Chicago, where there was a slight increase. Consideration of the holiday period in July would make the comparison even more unfavorable.

Position of the Federal Reserve Bank of Chicago

Continued evidence during July pointed to the ability of member banks to finance business and agriculture at this time without calling on the reserve bank for accommodation. The daily average of loans to member banks for July was lower than for June, but the loans did not change appreciably after the decrease in the week of July 12.

The daily average of total reserves at the reserve bank during July was much higher than in June, while that of earning assets was much lower, showing a continuation of the respective trends which began with May. After the week of July 12, however, the changes in these items were not so marked as in the preceding weeks. The ratio of total reserves to deposit and Federal Reserve note liabilities combined averaged 87.3 during July, compared with 79.9 during June and 57.2 in July, 1921.

FEDERAL RESERVE BANK OF CHICAGO COMPARATIVE POSITION



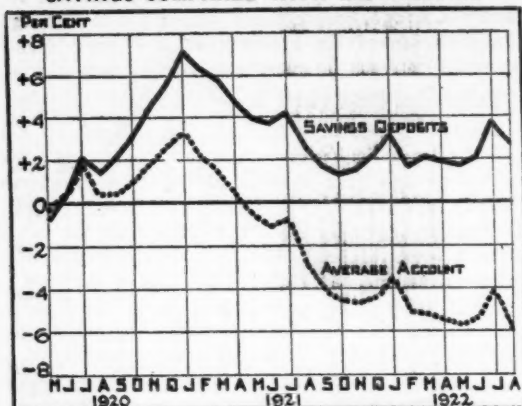
Note: Monthly data are daily averages; weekly data are those of statements published each week.

Savings Accounts and Deposits

The July post-interest period withdrawals of savings deposits are reflected in reports to this bank representing approximately 40 per cent of the total savings deposits in the district. Decreases are shown in amount of deposits and average account for the district on August 1 from July 1. The accompanying chart shows decreases slightly smaller for the corresponding period in 1920, and slightly larger in 1921.

Michigan banks report a small increase in savings deposits during the month, while all states in the district show decreases in the average account both

SAVINGS COMPARED WITH 1920 AVERAGE



Note: Data as of the first of each month. Chart this month differs slightly from charts previously shown owing to increase in number of reporting banks from 189 to 219.

AGRICULTURAL PRODUCTION AND CONDITIONS

Reports from ninety-four county farm bureaus with a membership of 85,141 farmers in Iowa and in those portions of Illinois, Indiana, and Michigan included in this district, show an average yield per acre of wheat for Iowa about four bushels more than last year, for Illinois about two bushels more, while in Indiana and Michigan it is from one to two bushels less. All states except Indiana show a larger yield of oats per acre than last year. Ten individual farmers in that portion of Wisconsin within this district show the threshing yield of wheat per acre to be 23 bushels against 17½ last year, and oats, 45 bushels against 30 last year. The average pound weight of wheat per bushel as reported by thirty-nine farmers is 59, and oats, 31. The estimated 1922 wheat harvest for all countries on which figures are available shows a slight increase over 1921.

ESTIMATED CROP PRODUCTION

	In Thousands of Bushels		In Thousands of Tons	
	1921	1922	1921	1922
Corn	952,502	967,277	3,016,950	3,080,372
Oats	480,822	385,091	1,251,156	1,060,737
Winter Wheat	66,913	58,102	541,809	587,032
Spring Wheat	5,555	4,820	263,392	207,861
Barley*			191,507	151,181
White Potatoes*			440,000	347,000
Hay				
(In thousands of tons)....	19,762	16,034	110,368	96,802
Peaches*			56,000	32,700
Apples*			202,000	98,100
Sugar Beets*				
(In thousands of tons)....			5,008	7,780

*District figures not available.

Barley yields in this district appear to be larger than last year. The hay crop is exceptionally good. The reports anticipate a slightly smaller yield of corn per acre except in Iowa, where a larger yield than last year is expected. The potato crop is reported better than the previous year, except in Illinois. The acreage of hay, potatoes, and corn is reported larger than in 1921. However, the corn acreage in the

from the preceding month and a year ago. Compared with a year ago, Michigan again reports an increase of more than 4 per cent in savings deposits, and all other states show decreases ranging from 0.4 per cent in Iowa to 7.8 per cent in Indiana. The major portion of withdrawals was for investment, but home building and buying of real estate were especially mentioned.

Bonds and Investments

Bond prices advanced generally during July and the first part of August, but foreign bonds were somewhat reactionary, strengthening, however, in August. The municipal bond market, which has been heavy, begins to show signs of renewing activities. The steady advance in Liberty bonds suffered a slight reaction the first part of August. The general volume of July business was large, but smaller than that of previous months this year.

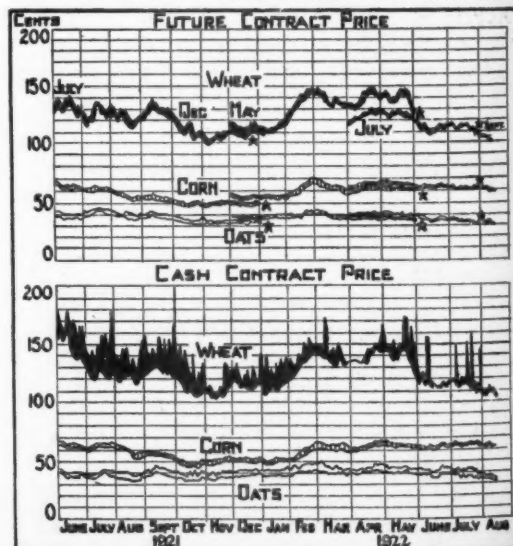
separate state of Illinois is indicated to be less. Chinch bugs are reported upon the corn in Iowa, Illinois, and Indiana.

Government reports for August 1 were more favorable than a month ago and production estimates were increased except for wheat.

The Michigan sugar beet crop is forecast at 726,000 tons compared with 1,153,000, final in 1921, while the Wisconsin crop is estimated at 84,000 tons compared with 148,000 in 1921.

Grain Marketing

July receipts of oats and corn at primary markets were less than in June, but wheat increased; only corn was larger than in 1921. Total shipments of



*Break in curve represents change from one option to another because previous option runs out.

Business Conditions Throughout the United States

Special Summary
By the Federal Reserve Board

August 31, 1922

THE outstanding feature of the month has been the inherent soundness which the general business situation has manifested in the face of the difficulties encountered. This has been shown by the continuance of activity at a relatively high level despite labor disturbances and despite the recession of activity normally expected at this season of the year. Prices of important commodities continued their upward tendency during July but during August conflicting tendencies were apparent. The excellent agricultural prospects provide an encouraging outlook for the fall trade. Furthermore, increase of demand for certain commodities to compensate for restricted output or delay in placing orders is also in prospect. Even so, business must necessarily proceed under handicaps for some time to come, as a result of fuel shortage and transportation difficulties.

Manufacturing activity in general has been maintained at a high level. In those industries, such as automobiles and building construction, in which seasonal recession is

shown, activity is still far in excess of a year ago. Cotton manufacturing likewise shows some decrease but the reverse is true of woollen manufacturing. The output of non-ferrous metals other than copper has also increased, but iron and steel activity shows some decline. Bituminous coal production has increased steadily during the present month.

The labor situation showed considerable improvement during August. The bituminous coal strike has been settled in many fields and the majority of the New England cotton mill workers have returned to the factories.

Agricultural prospects on the whole continue very satisfactory. Wholesale trade suffered a decline during July as compared with June in all lines except dry goods, but most lines were in a better position than a year ago, especially hardware. Retail trade, however, was slightly smaller than last year.

Financially, few new developments occurred during the month. The rapid decline of the mark has been the outstanding feature of the foreign exchanges.

Throughout the United States

corn and wheat were more than in June, but oats declined; wheat only was less than a year ago.

CHICAGO SHIPMENTS OF GRAIN AND FLOUR

	In Thousands					
	FLOUR BBLs.	WHEAT BU.	CORN BU.	OATS BU.	RYE BU.	BARLEY BU.
By Boat—						
July, 1922	114	4,557	10,362	1,242	39	.....
June, 1922	131	7,096	2,631	2,506	886	.....
July, 1921	.....	2,793	10,353	3,023	76	.....
By Rail—						
July, 1922	569	444	1,423	4,240	14	163
June, 1922	611	847	1,364	5,065	111	218
July, 1921	573	1,128	924	2,176	11	242

There is more of a tendency in the district to hold the oat crop than wheat. The movement to terminals is not burdensome at present, but there are some complaints of inability to get cars. The trend of prices paid to producers in the United States for principal crops decreased 0.3 per cent in July, according to Government estimates.

The trend of grain prices at Chicago is downward.

Domestic business is light, but a liberal export demand continues in wheat, corn, and rye, and a moderate business in oats.

July future sales of produce on exchange as evidenced by the sales of stamps in the first revenue district of Illinois were slightly more than in June, and were 41 per cent more than the low point of 1922 which occurred in February, but were only 59 per cent of the 1922 high in April.

UNITED STATES VISIBLE SUPPLY OF GRAIN

Stocks in public and private warehouses at principal points of accumulation, at lake and seaboard points and in transit August 12, 1922. Figures supplied by the Secretary of the Chicago Board of Trade.

	In Thousands of Bushels					
	WHEAT	CORN	OATS	RYE	BARLEY	
August 12, 1922						
Warehouses and Afloat	26,596	10,434	36,587	2,527	916	
Bonded	2,089	.....	185	47	73	
July 8, 1922						
Warehouses and Afloat	16,879	28,779	42,400	1,195	1,455	
Bonded	3,723	.....	389	265	186	
August 13, 1921						
Warehouses and Afloat	39,514	12,529	47,625	2,844	2,053	
Bonded	142	.....	44	19	10	

Canning

August returns to this bank show the pack of late peas exceeds that of 1921 even more than was reported last year for the early crop. Twenty-seven factories in Wisconsin alone average a gain in the number of cases packed of nearly 90 per cent, only two factories in the district showing a decrease. The Michigan cherry crop is likewise much larger than last year, seven factories having reported an aggregate increase of nearly 120 per cent. Three returns show similar gains for this year's canning of berries in addition to five reports from cannery not packing berries in 1921. Bean packs to date vary, the red kidney variety being larger than in 1921, but aggregate packs of green beans at five Michigan and Wisconsin factories were about 40 per cent less than last year. Prospects for a large tomato pack seem general in various parts of the district.

Flour Production

July production of flour in the district as reported to this bank by forty-five millers increased approximately 1 per cent over the preceding month and a year ago. The wheat flour output continued the increase started in May.

Operations of these mills were at 44.1 per cent of capacity—based on a 24-hour working day—during July, while in June they were at 42.0 per cent of capacity. The lower operating ratio in June is partly traceable to one more actual working day in that month. In July, 1921, operations were at 43.6 per cent of capacity.

	PRODUCTION PER CENT CHANGE FROM		
	JULY, 1922	JUNE, 1922	JULY, 1921
Wheat flour.....(bbls.)	372,264	+1.4	+0.4
All other flour.....(bbls.)	36,273	-4.3	+8.4
Total.....(bbls.)	408,537	+0.9	+1.0

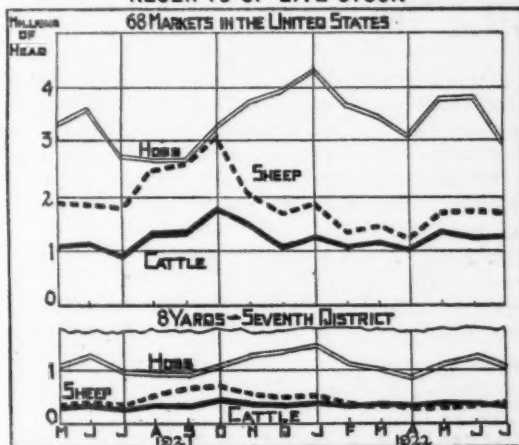
Movement of Live Stock

July receipts and slaughter of live stock in the seventh district were less than in June.

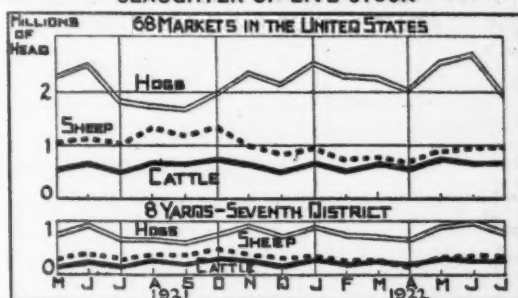
SLAUGHTER IN JULY

	CATTLE	HOGS	SHEEP	CALVES
District.....	216,332	725,932	273,981	91,972
Sixty-eight markets in United States.....	669,010	1,939,818	955,790	332,502

RECEIPTS OF LIVE STOCK



SLAUGHTER OF LIVE STOCK



AVERAGE PRICES OF LIVE STOCK

Per hundred pounds at Chicago

CLASS	WEEK ENDED AUGUST 12, 1922	JULY 1922	MONTHS OF JUNE 1922	JULY 1921
Native Beef Steers				
750-1,050 lbs.	\$ 8.80	\$ 8.75	\$ 8.40	\$ 7.40
1,500-1,800 lbs.	10.45	10.25	9.40	8.45
General Average	.....	9.50	8.95	8.10
Fat Cows and Heifers.....	6.05	6.60	6.40	5.40
Canners and Cutters.....	2.85	3.20	3.10	2.75
Calves	10.75	9.10	9.40	9.75
Stockers and Feeders.....	6.65	6.20	6.90	6.10
Hogs	8.80*	9.80	10.40	9.75
Sheep	6.30	6.40	6.75	5.40
Yearling Sheep	10.50	10.70	10.25	7.35
Lambs	12.07	12.90	12.15	10.30

*Average August 1 to 12 inclusive.

The movement of feeder cattle, calves, and sheep back to the farms, although less in July than in June, showed a large increase over a year ago.

The price of live hogs to the middle of August has declined steadily from the June average.

Meats and Provisions

Forty meat-packing companies in the United States reporting direct to this bank show a decrease of 0.7 per cent in July dollar sales compared with June, and these were 0.9 per cent less than a year ago. July shipments of meats and lard from Chicago were less than in June. Most firms report that to the middle of August the coal strike had not affected their output. Domestic demand for packing house products, although somewhat better toward the middle of August, is reported as being affected to some extent by unsettled transportation conditions and decreased buying power caused by disturbances in other industries.

The principal wholesale price change at Chicago was on pork, which with the exception of loins, was downward in July and the first half of August. Mutton prices were stronger at wholesale in July than in June, and beef was firmer toward the end of July, but both had slightly downward trends in the first part of August, while veal advanced. Retail prices of meats at Chicago in general followed wholesale during July.

COLD STORAGE HOLDINGS OF FROZEN AND CURED MEATS IN THE UNITED STATES*

	In Thousands of Pounds			
	AUGUST 1, 1922	JULY 1, 1922	AUGUST 1, 1921	FIVE-YEAR AVERAGE
Frozen Beef	27,743	31,593	66,262	118,540
Frozen Pork	117,821	128,962	149,435	129,449
Frozen Lamb and Mutton	3,307	3,720	6,751	4,675
Cured Beef and in process	19,234	19,113	17,829	26,571
Dry Salt Pork and in process	179,940	186,948	231,512	316,299
Pickled Pork and in process	386,685	391,474	346,623	378,186
Miscellaneous Meats	54,752	54,878	80,995	69,449
Lard	143,521	154,254	194,490	140,232

*Include stocks in both cold storage warehouses and in packing plants.

Stocks of cured meats at the principal western packing points were more on August 1 than on

July 1, but lard stocks were less; both were less than a year ago.

Reports from meat-packing companies indicate that shipments forwarded in July for export were slightly more than in June, although demand had a tendency to fall off in the last half of the month and in the first half of August. Germany continues to be one of the best markets for packing-house products. Prices abroad are about on a par with those in this country plus transportation.

Reports indicate little change since July 1 in stocks of consigned goods already abroad, although they are possibly a little heavier than a month ago in England, but not so heavy on the continent.

Butter, Cheese, Eggs and Poultry

Storage holdings of dairy products are increasing. The production of butter in this district and in the United States was less in July than in June, but more than in July, 1921; the Wisconsin output of cheese was less in July than in June; and the production of both butter and cheese continued to decline the early part of August. The receipts of butter, cheese, and eggs at Chicago were less in July than in June, but more than for the same period last year; and the receipts of poultry at Chicago and of cheese at Wisconsin markets showed a decline in June over July. The wholesale prices of eggs, poultry, and 92-score creamery butter declined in July; but the prices of wholesale cheese at Plymouth, Wisconsin, showed a slight increase.

COLD STORAGE HOLDING OF POULTRY AND DAIRY PRODUCTS IN UNITED STATES*

	In Thousands of Pounds			
	AUGUST 1, 1922	JULY 1, 1922	AUGUST 1, 1921	FIVE-YEAR AVERAGE
Poultry	30,678	34,387	21,188	31,403
Butter	105,639	69,294	85,542	100,521
Cheese	57,587	43,542	56,316	68,691
Eggs	10,225	9,811	7,605	7,158
Frozen Eggs	27,874	23,538	27,952	19,531

*Include stocks in both cold storage warehouses and packing plants.

†In thousands of cases, 30 dozen each.

‡Reports of individual producers, Iowa Creamery Butter Manufacturers' Association, covering Iowa, and the American Association of Creamery Butter Manufacturers, covering most of the states.

INDUSTRIAL EMPLOYMENT CONDITIONS

The outstanding characteristic in the labor situation during the month of July has been the steadiness with which industries have maintained employment despite industrial disturbances. Total employment, except for that of the railroads, suffered no decline. The cement, brick, and clay products industries were delayed by the coal shortage and since early August many plants have suspended operations entirely. Lumber manufacturing showed no let-up in its requirements for workers, nor did the automobile and accessories industry, although some of the smaller plants laid off men. The greatest change was shown by shoe factories which reported an increase of 12 per cent over the previous month. Packing plants added about 3 per cent more men and the manufacturers of iron and steel, about 2 per cent. The Employers' Association of Detroit, for the week ending

August 1, reports a slight decline, the first deviation from a steady increase since the beginning of the year.

LABOR REPORTS FROM FIRMS IN THE SEVENTH DISTRICT

	DISTRICT	CHICAGO
Number of firms reporting.....	242	52
Total number employed July, 1922.....	239,737	45,761
Percentage change in number employed as compared with		
(a) the preceding month.....	+0.7	+2.2
(b) the same month a year ago.....	+28.5	+5.5
Percentage change in amount of payroll as compared with		
(a) the preceding month.....	+0.8	-0.1
(b) the same month a year ago.....	+24.6	+0.3
Percentage change in pay per man as compared with		
(a) the preceding month.....	-1.3	-2.3
(b) the same month a year ago.....	-3.0	-4.9
Percentage of production to ordinary capacity:		
(a) July, 1922	73	69
(b) June, 1922	76	73
(c) July, 1921	55	56

The pay per man for the month shows a slight decrease which can be accounted for by the seasonal inactivity, the holidays, and the closing of a number of factories for inventory or repair. None of the industries covered report wage reductions, while many mention specific increases. The wage schedules for common labor have increased in many localities in the last thirty days. Woodworking industries in the

Chicago district have made advances to bring wages closer in line with other industries; a brick concern made a 5 per cent increase effective July 1; an iron and steel concern raised wages 10 per cent July 24; other increases have ranged from 2½ to 5 cents an hour. Public works, road construction, and municipal improvements of many kinds, are becoming important factors affecting the supply of common labor for other industries.

BITUMINOUS COAL PRODUCTION

The coal miners have returned to work in Illinois and operations have been renewed in other fields under the terms of the Cleveland agreement. Mines in the West and Southwest and parts of the Pittsburgh district are reported still closed, but they represent only a small part of the total bituminous production of the country. With the Government control of distribution for the next few months, the transportation question is now the chief remaining problem in the bituminous situation to be adjusted in order to obviate the danger of a severe shortage. The anthracite situation is unchanged.

Reserve stocks of coal are fast disappearing. Light and power utilities in this district report supplies adequate to carry them from a few days to a month. Railroads average about twenty days' supply on hand in addition to current shipments which they may be able to obtain on priorities. The larger industries report less than a month's reserve. Some manufacturers are endeavoring to meet the situation by substituting fuel oil, while others are turning to the public utilities for assistance. Many smaller concerns face a complete shutdown unless they obtain fuel. The supply of anthracite is practically exhausted; the remaining stocks consist of pea and smaller sizes, most of which have already been sold, and are awaiting delivery. Retail supplies are the lowest they have been for a long time.

Production of bituminous coal has been slowly increasing since the latter part of July, owing to the gradual improvement in traffic conditions affecting

the operating mines. Although approximately 4,600,000 tons were mined during the second week of August, an increase of nearly 300,000 tons over the previous week, this relatively small output will not go far toward meeting the increasing demand accentuated by winter fuel requirements.

Anthracite production is still limited to the dredging of steam sizes from the rivers, and now averages about 27,000 tons per week. With 7,000,000 tons as the normal average monthly production of hard coal, the country faces on September 1, a potential shortage of approximately 33,000,000 net tons.

Demand in local markets diminished somewhat following the Government regulation of distribution and the report of an early settlement of the strike, but is still in excess of offerings. The high prices of a month ago, which reached a peak of \$13.50 per ton, dropped during the first week of August, and the withdrawal of large buyers from the market caused a decided weakening in the price of all coals. Western Kentucky and eastern coals had dropped to a price ranging from \$6.50 to \$7.00 on August 22, but were practically off the market, while Indiana coal was quoted at \$7.00, with offerings light and buying confined largely to railroads, public utilities, and other industrials in the preferred class. Industrials not entitled to priorities have been making inquiries for fuel oil and gas oil in the petroleum market. Prices on fuel oil on August 22 were strong at \$1.35 to \$1.45 a barrel and on gas oil at 3½ to 3¾ cents a gallon.

MANUFACTURING ACTIVITIES AND OUTPUT

Automobile Production and Shipments

A seasonal decline in automobile production was in evidence during July. Manufacturers, reporting through the National Automobile Chamber of Commerce and direct to this bank, representing 99.6 per cent of total June production, produced 222,657 passenger cars in July compared with 261,924 in June, a decrease of 15.0 per cent. In July, 1921, there was a total production of 165,574 cars. The truck output decreased 17.3 per cent for manufacturers who produced 20,891 trucks in July compared with 25,274 in June.

Shipping figures for all manufacturers as reported by the National Automobile Chamber of Commerce indicate a larger proportionate decrease in shipments for July compared with June this year than last.

July carload shipments this year fell off 17 per cent from June, compared with 4 per cent a year ago; boat shipments decreased 11 per cent compared with 6, a year ago; while driveaways were reduced at about the same rate for the two years.

FACTORY SHIPPING FIGURES FOR ALL MANUFACTURERS*

	CARLOADS		DRIVEAWAYS		BOAT	
	1922	1921	1922	1921	1922	1921
July	128,412	19,514	128,022	15,533	16,855	3,726
June	34,230	20,269	33,857	18,834	7,737	3,947
May	33,416	18,608	28,827	15,193	7,406	2,381
April	31,334	20,187	22,381	14,197	2,960	1,619
March	27,753	16,287	16,917	9,939	560	75
February	19,636	9,986	10,173	7,507	180	99
January	15,357	6,485	7,479	3,185	143	93

*Reported by National Automobile Chamber of Commerce.
†Partly estimated.

Price reductions have been announced by a number of companies since the middle of July.

Iron and Steel

Production of iron and steel was about the same in July as in June. The shortage of coal forced the banking of some furnaces, and reduced operations in this district as well as in the entire United States. The active demand for iron and steel continues. July sales were only slightly lower than those of the previous month. Prices increased and collections were good.

PIG IRON AND STEEL PRODUCTION IN GROSS TONS

	JULY 1922	JUNE 1922	JULY 1921
Pig Iron Production			
Illinois and Indiana.....	472,179	454,937	201,175
United States	2,400,465	2,362,455*	864,642
Steel Ingot Production			
(thirty companies)	2,487,104	2,634,477	803,376
Unfilled orders, United States			
Steel Corporation	5,776,161	5,635,531	4,830,324

*Revised figures.

†At close of month.

PIG IRON AND STEEL PRICES AT CHICAGO

	Per Gross Ton		MONTHS OF	
	WEEK AUGUST 16, 1922	JULY 1922	JUNE 1922	JULY 1921
Lake Superior Charcoal Pig				
Iron	\$33.15	\$31.65	\$30.00	\$36.85
Malleable	30.00	24.65	23.25	19.35
Composite average 14 iron and steel products in the United States	39.32	37.50	36.96	38.14

Agricultural Machinery

Direct reports to this bank show July production of agricultural implements in the district seasonally less than June by reason of interruptions for inventories and factory alterations. Payrolls for the last week of July were less than for the same period in June. Six of the eight reporting firms had a larger volume of shipments in July than in June, and seven had shipments in excess of the corresponding period last year.

There were no important price changes in agricultural machinery during the month; however, there was a slight decline in the prices of plows and harrows.

Agricultural pumps shipped by manufacturers in this district exceeded June shipments in number and value. For the entire United States, the units shipped were more, but the total value was less.

Raw Wool and Finished Woolens

Manufacturers' purchases of raw wool in the district fell below those of June, although shipments and receipts at Chicago were more than in June, but less than a year ago.

During the quiet market at the close of the month, the prices of raw wool had a tendency to weaken, but resumed strength the first week in August when manufacturers seemed inclined to buy.

Spring offerings of light-weight finished woolens and worsteds show an advance of 3 to 5 per cent in price over last year, but this is not so large as anticipated, for raw materials show a much larger increase. Demand for worsteds has been slow; they have not followed the market for raw material as closely as woolens.

Shoe Manufacturing, Tanning and Hides

Production and shipments clearly reflect the one to two-week shut-down by many of the shoe factories for annual vacations, July inventories, and factory alterations. However, July production and shipments although less than in June were more than a year ago. Shipments were equal to 102.0 per cent of the month's production; twenty companies had unfilled orders on hand amounting to 320.6 per cent of their July production and 315.0 per cent of shipments.

Stocks on hand July 31 were 127.4 per cent of July shipments and 129.4 per cent of the month's production.

PERCENTAGE CHANGES IN JULY FROM PREVIOUS MONTHS

	NUMBER OF FIRMS		NUMBER OF FIRMS	
	1922	1921	1922	1921
Production	26	16	+15.2*	
Stocks on hand at end of month	21	11	+23.6	
Shipments	25	16	+15.2	
Unfilled orders on hand at end of month	20	7	+11.1	

*Eight firms had slightly smaller production than in July, 1921.

A slight falling off in July production of reporting tanneries in this district from that of June was attributed to a growing scarcity of unskilled labor in the wet work departments. Payrolls for the last part of July increased over the corresponding period in June. The seven reporting companies had in the aggregate a larger volume of sales in July than a year ago; however, three report less business than in June and two, more. Demand for leather which was slack during the last half of July, showed improvement during the first week in August.

Reports from the Bureau of Census show United States stocks of the principal kinds of leather, except offal, less on July 1 than on June 1. Most important holdings, excepting cut soles, cattle upper, harness, goat and kid leathers, declined from those a year ago.

Leather prices are increasing and this is reflected to some extent in the wholesale prices of shoes.

The market for packer hides was more active at Chicago in July than in June, but trading in other kinds was somewhat limited, although prices excepting lamb skins, were higher in July than in June.

PRICES OF GREEN HIDES AT CHICAGO*

	WEEK AUGUST 12, 1922	JULY 1922	MONTHS OF JUNE 1922	JULY 1921
HIDES				
Heavy Native Steers (packer).....	\$20.00	\$18.77	\$16.75	\$12.87
Butt Brand (packer).....	18.50	17.00	15.50	13.12
Heavy Native Steers (country).....	14.50	13.06	10.80	8.19
Branded (country)	11.50	10.38	8.30	4.00
SKINS				
Calf	19.50†	18.50	14.70	16.68
Lamb (packer)	1.43	1.30	1.33	.55

*Prices per hundred pounds; lamb skins, price per skin.

†Five weeks' average in June, four in July.

‡Range \$16.00 to \$23.00.

July shipments and receipts of green hides and skins were less than in June, but exceeded those of a year ago. Direct reports indicate that purchases of green hides by tanners in the district were less than in June. Holdings of green hides in the United States on July 1 compared with June 1 show the following changes: cattle hides, —0.3 per cent; calf and kip

skins, +6.0; goat and cabretta skins, +8.6; sheep and lamb skins, -1.6 per cent, but all except goat and cabretta skins were less than the previous year.

Clothing and Tailoring Industry

While production and shipments in the wholesale clothing industry were somewhat heavier during the month of July, the increased activity was largely due to seasonal factors and does not indicate any real improvement in the industry. Orders for fall merchandise are still lagging about 13.0 per cent behind those of the fall season last year, with production and shipments showing a corresponding decline compared with that period. Orders this season are coming principally from the larger centers; the merchants in the smaller towns still buying, for the most part, on a close basis. Fall prices are approximately 10.0 per cent below those of a year ago, but the present wool situation indicates that some adjustment will have to be made.

The seasonal slump in the Tailors-to-the-Trade industry continues, with orders, production, and shipments falling considerably below those of June. In spite of this drop, and the fact that July is normally a dull month, the industry is in a much better condition than it was a year ago.

PERCENTAGE CHANGES IN WHOLESALE CLOTHING

Number of firms reporting.....	7
Orders for fall from opening of season to date of report compared with orders during a similar period of time for last year's fall season.....	-12.6
Number of suits made as compared with—	
(a) June, 1922	+ 9.4
(b) July, 1921	-12.1
Number of suits shipped as compared with—	
(a) June, 1922	+35.4
(b) July, 1921	-15.7

PERCENTAGE CHANGES IN TAILORS-TO-THE-TRADE

Number of firms reporting.....	11
Orders for suits compared with—	
(a) June, 1922	-35.4
(b) July, 1921	+31.8
Number of suits made as compared with—	
(a) June, 1922	-36.6
(b) July, 1921	+35.8
Number of suits shipped as compared with—	
(a) June, 1922	-37.7
(b) July, 1921	+36.2

Furniture

The success of the June-July semi-annual markets is again reflected in current reports from forty-two furniture manufacturers in this district. July orders show an increase even over the volume booked in June, and unfilled orders on hand August 1 show an increasing demand. Buyers maintained their policy of buying in small quantities.

PERCENTAGE CHANGE IN MOVEMENT OF FURNITURE

	DISTRICT		UNITED STATES	
	JULY 1922	CHANGE FROM JUNE	JULY 1922	CHANGE FROM JUNE
Number reporting*	\$2,782,390	+14.0	\$4,429,105	+13.4
Orders	42		92	
Shipments	1,826,320	+ 1.7	3,061,137	- 2.7
Cancellations	66,405	-59.4	130,835	-38.8
Unfilled orders, August 1	3,702,669		5,379,306	
Production percentage of normal	77.8		79.2	

*Based on combined returns to Associated Furniture and to this bank.

Figures available from sixteen manufacturers in the district reporting direct to this bank show the condition of the industry improved compared with that

of a year ago. July orders were 5.1 per cent more than in July, 1921, shipments, 36.9, and unfilled orders, 8.4, while cancellations were 63.2 per cent less than a year ago.

Boxes and Containers

Reports to this bank from fourteen manufacturers of boxes and containers in the Seventh Reserve district indicate very little change in the industry during the month of July. Sales and production remained at practically the same level reached during June, thirteen concerns averaging 76.8 per cent of ordinary capacity. Compared with a year ago, conditions show a marked improvement. Below are percentage comparisons of July with June, 1922, and July, 1921.

	NUMBER REPORTING	JUNE 1922	JULY 1921
Sales in dollars.....	14	+0.3	+37.1*
Box board consumption.....	10	-0.4	+38.9

*Thirteen firms.

Confectionery

July candy sales as reported to this bank by dealers in the district were larger than last month and a year ago. Returns from confectionery factories show reductions since June in the number of men employed, but the number is still ahead of 1921.

Paper Industry

Fourteen paper mills reporting to this bank were employing 2.7 per cent more men at the end of July than in June. Compared with a year ago, the percentage was 21.3 in the number of men and 11.9 in the amount of payrolls.

July purchases of all classes of paper as shown by statistics of the National Paper Trade Association were larger than during June, and for most classes were ahead of a year ago. Shipments fell off for cover and writing papers, tissue, and bags. Stocks on hand August 1, compared with January 1 inventories, ranged from 61 per cent for tissue to 112 for cover paper.

Returns from five wholesalers in this district show dollar sales above July, 1921, and for three dealers, larger than last month. Sales by a sixth firm fell off both from June and a year ago.

Cement

Cement reserves are running low; most of the plants in the district are operating on reduced schedules and many of them have ceased operations entirely because of their inability to secure fuel. Shipments in July were heavier than those for June. Many of the plants have large contracts on their books which they will be unable to fill unless operations can be resumed shortly. The heavy volume of shipments is due to the large amount of cement roads, concrete pavements, and other public construction work in progress, as well as to the extensive building activity.

Prices made no further advances during July and in a few cases declined slightly from increases made during June. For the country as a whole the total output of cement was fully as large in July as in June according to figures issued by the United States

Geological survey. Shipments also increased slightly maintaining a volume about 20 per cent ahead of the output; stocks fell off correspondingly.

Lumber

Sales of lumber declined 5 to 26 per cent during July, as reported by manufacturers and dealers of the district. Of fifteen reports only one gave an increase in the volume of business for the month. The decline was largest the latter part of July and early August; the normal seasonal decline was perhaps augmented by the strike situation. Buyers hesitate to commit themselves for the future and cover only immediate requirements. Despite the slow action of buyers, dealers have experienced some difficulty in filling orders, by reason of delayed shipments from southern and western mills, which are accepting new business subject to railroad conditions. Unfilled orders indicate a large unsatisfied demand. Maple flooring mills show a general decrease in activity; stocks have been reduced approximately 9 per cent and unfilled orders, 5 per cent during the month, according to reports of twenty mills. Operations in the mills of Wisconsin and Northern Michigan have been retarded by a shortage of labor in the logging camps. On the west coast, forest fires are still seriously interfering with the output of logs.

At Chicago the receipts of lumber for the month were 21 per cent less than in June, but 40 per cent ahead of a year ago. While there is little uniformity in prices, definite advances have been made by both mills and dealers.

Brick

Brick orders were still greatly in excess of stocks early in July; twenty-five plants in Illinois, Indiana, and Wisconsin had a demand of 60 per cent over supply, according to the latest available report of the Common Brick Manufacturers' Association. Up to that time only one plant had closed and production had not yet suffered materially from the lack of fuel, but since then several plants have ceased operations entirely, and others are merely trying to tide over until a strike settlement can be effected. In some plants boilers have been equipped with burners for the use of fuel oil.

The demand for brick during July was above normal at this season. Street paving has been carried on extensively, and as soon as the pressure of work on the farms lessens, Iowa farmers are expected to be in the market for a larger volume of both drain and building tile. Supplies, however, are running lower. Some reports from plants that have already closed state that their supply of brick on hand will be exhausted by September 1. However, the selling price of brick made very few advances during July.

Construction Contracts and Building Permits

Building activity in the district was equal to last month, public construction work increased, but the building of residences declined. Contracts awarded during July amounted to \$83,159,795 or about 7 per cent more than those awarded in June. The increase

over a year ago is more than 100 per cent, the largest shown in any recent month. Conditions, however, are not uniform throughout the district; Indiana showing a decided increase during July; Illinois, a slight increase, and Michigan, a marked decline. The contracts awarded for residential construction fell off 27 per cent; all states except Indiana shared in the decline.

Twenty-two out of thirty cities for which permit figures have been obtained, show decreases in valuation. The decreases are considerably larger than for June, especially in the larger cities.

PERMITS AND COSTS OF BUILDING CONSTRUCTION

	JULY, 1922	JUNE, 1922	Per cent change from	
	PERMITS	ESTIMATED COST	PERMITS	COST
Chicago	1,144	\$16,214,300	-19.5	-39.0
Ind'apolis	1,167	3,349,348	-11.8	+46.3
Des Moines	196	776,315	-12.5	-50.1
Detroit	2,418	7,389,769	-15.7	-10.7
Milwaukee	3,041	3,218,983	-12.2	-18.8
25 other cities	3,748	10,387,691	-7.3	-7.1
Total	11,714	\$41,336,406	-12.2	-23.2

Transportation Conditions

Freight carloadings in the Western territory and throughout the United States for the month of July, increased over the corresponding period of last year, but were slightly below last month's figures. The western grain movement which is now progressing shows a 28 per cent increase over the previous month, but is less than the shipments for the corresponding period of last year.

REVENUE FREIGHT CARLOADINGS For Four Weeks Preceding Dates Named

WESTERN TERRITORY	GRAIN PRODUCTS	LIVE STOCK	MERCHAN- MISC.		TOTAL
			COAL	DISE LANEWAYS	
July 29, 1922	126,269	77,064	60,066	305,493	729,155
July 29, 1921	200,914	106,622	353,738	925,397	1,713,412

Percentage Change Current Period from Preceding Periods

WESTERN TERRITORY	JULY 1, 1922	JULY 29, 1921	JULY 1, 1922	JULY 29, 1921	JULY 1, 1922	JULY 29, 1921
GRAIN	+28.8	-10.7	+8.8	-5.9	-2.7	-1.3
LIVE STOCK	-18.0	+17.1	-38.3	+7.5	+36.1	+14.2
COAL	+25.8	-9.2	-6.6	-6.8	-5.5	-4.7
MISC.	-10.3	+13.2	-44.3	+12.5	+67.4	+10.0

Live stock shipments have declined since the first day of the year, but for July were about 17 per cent more than those of 1921. Coal loadings throughout the United States show a decrease compared with last month, although in the Western territory about 8 per cent more coal was loaded.

The larger increase over last year in the miscellaneous group may be accounted for by the shipments of ore and forest products, which are much more than those of 1921 and are running about even with the shipments of 1920.

Idle freight cars, because of no requisition for the week ending July 31 numbered 174,927, a reduction of 64,298 cars in a month's time; of the latter figure 16,291 were coal cars, 38,734, freight cars, and 9,273, miscellaneous cars.

CARLOAD SHIPMENTS OF NEW FRUITS AND VEGETABLES FOR THE UNITED STATES

	NEW APPLES	PEACHES	PEARS	MELONS	POTATOES	ONIONS
This season to July 29	3,091	10,813	1,216	34,596	46,672	7,597
Last season to July 29	1,176	14,353	1,367	31,106	39,081	6,669

MERCHANDISING CONDITIONS

Wholesale Trade

Gains over 1921 in dollar sales as noted last month by all groups of wholesalers reporting to this bank, were maintained during July, except for groceries. Shoe sales averaged the largest increase so far this year, while that for hardware exceeded any shown since similar data have been collected (September, 1921). Compared with June, individual sales fell off for all but nine firms.

Prices continued at the June level during July with a slight upward tendency being felt in most lines. In hardware this was confined especially to heavy staples, while certain manufactured products are still being reduced. With the exception of sugar, which reached a new high record, no general changes were reported by grocers, although various commodities were readjusted here and there in both directions.

The dry goods, hardware, and drug groups report higher inventories than at the beginning of the month, but over two-thirds of the firms are still carrying lower stocks than a year ago. Although dollar collections by twenty-nine dealers, out of fifty-one, were ahead of a year ago, the ratio to accounts outstanding June 30, is lower for most of the groups this year than in 1921.

MERCHANDISE	NUMBER	NET SALES—CHANGE FROM JUNE, 1922	JULY, 1921
Groceries	43	-17.3	-7.4*
Hardware	18	-19.8	+20.6
Shoes	12	-39.0	+15.8
Dry Goods	11	-0.2	+7.5
Drugs	11	-10.2	+5.2
Auto Accessories	9	-6.3	+72.7

*42 firms.

Chain Store Sales

July sales reported to this bank by four chain stores are larger than last month and for three firms are ahead of a year ago. A fifth, giving data for 1922 only made a gain over June.

FEDERAL RESERVE BANK OF CHICAGO STATISTICS OF SALES BY FOUR GROCERY CHAINS

(1921 Monthly Average—100)

	1922	1921
January	104.2	101.4
February	104.4	99.9
March	115.9	106.6
April	116.0	102.6
May	110.7	89.9
June	111.0	89.0
July	115.1*	92.7

*3 chains.

FEDERAL RESERVE BOARD STATISTICS OF CHAIN STORE SALES THROUGHOUT THE UNITED STATES

(1919 Monthly Average—100)

CHAIN	NUMBER	JULY 1922	JUNE 1922	JULY 1921
Grocery	16	132.2	133.4*	115.1
Drug	7	125.6	123.5*	122.1
Shoe	5	101.1	123.1*	100.9
Five & Ten	4	126.3	124.9	108.0
Music	4		81.3	55.6
Cigar	3	127.3	105.8	128.5

*Partly estimated.

Mail Order

July reports show that for the second time this year monthly sales of Chicago's two leading mail order houses were ahead of a year ago, while Federal Reserve Board statistics for July show aggregate sales of four houses also larger than July, 1921.

Retail Trade

For the fourth consecutive month aggregate dollar sales of department stores reporting to this bank are ahead of 1921. The increase, however, has not yet become general among the smaller stores, two-thirds of which continued during July with lower sales than last year. The seasonal decline from June, as shown by all but two firms, is somewhat larger than in 1921, being 21.6 per cent for average daily sales as compared with 20.2 per cent a year ago.

The majority of stores reduced their stocks during July, and for about half the firms inventories are lower than last year, making with the heavier sales a more rapid rate of turnover for the district as a whole. Of forty-five returns giving dollar amounts, twenty-three show collections larger than during July, 1921.

	NET SALES—CHANGE No. JUNE, 1922 JULY, 1921	STOCKS—CHANGE JUNE, 1922 JULY, 1921	TURN- OVER RATE
Chicago	12 -17.9 +2.4	-10.7* +3.5*	4.1*
Detroit	5 -27.2 +12.4	+2.1† +1.2†	3.0†
Des Moines	3 -25.8 -6.8	-4.7 +0.7	3.4
Indianapolis	3 -28.0 +3.6		
Milwaukee	4 -24.6** +2.3	-1.7†† +3.0††	2.6§§
Outside	42 -20.2‡ +5.2	-2.6§ -6.7||	2.0||
District	69 -26.7 -9.0	-1.1 -7.2	1.8

*9 firms; †4; ‡39; §35; ||34; ¶36; **66; ††57; §§56; §§§8.

Foreign Commerce and Stock of Gold

A substantial increase in gold imports and slightly decreased commodity exports and imports are the outstanding features of the foreign trade situation of the United States for the month of July. Compared with June, exports of merchandise declined 8.9 per cent in value, while imports dropped about 3.6 per cent. The favorable trade balance shows a reduction of nearly 63.3 per cent, which the Department of Commerce believes to be a sign of improvement, pointing to a gradual return to more normal relations between our exports and imports.

MERCHANDISE*

	JULY 1922	JUNE 1922	JULY 1921	SEVEN MONTHS 1922	1921
Imports	251,000	260,461	178,159	1,670,408	1,498,635
Exports	305,000	334,684	325,181	2,125,628	2,859,658
Excess of					
Exports	54,000	74,223	147,022	455,220	1,361,023

*Figures from Department of Commerce, in thousands of dollars.

Gold imports during July were the highest for the present year, and were nearly three and one-half times those of June. This increase was due largely to heavy shipments from Great Britain, \$38,065,994 out of the total gold imports of \$42,986,727 being from that source.

GOLD*

	JULY 1922	JUNE 1922	JULY 1921	SEVEN MONTHS 1922	1921
Imports	42,987	12,977	64,247	165,999	410,190
Exports	645	1,601	3,735	10,790	10,425
Excess of imports	42,342	11,376	60,512	155,209	399,765

*Figures from Department of Commerce, in thousands of dollars.

The stock of gold available for money August 1 was \$3,812,129,284, as compared with \$3,184,579,256 a year ago.

ELASTIC CURRENCY AND ITS BENEFITS TO BUSINESS

The volume of Federal Reserve notes varies as the requirements for currency increase or decrease to meet demands for the movement of crops and manufactured products.

Prior to the establishment of the Federal Reserve System, the note currency of the country did not quickly expand and contract in response to the seasonal needs of business and agriculture. The Federal Reserve Act gave this elasticity of note currency by providing for Federal Reserve notes which may be partly secured by gold and partly by borrowers' paper. The paper used as collateral affords the needed elasticity, since the volume of borrowers' paper expands and contracts with the needs of business and agriculture. This quality distinguishes Federal Reserve notes from all other currency and fills the long-felt need for an elastic currency to meet the seasonal demands of the Middle West.

The paper securing Federal Reserve notes may be that of farmers, manufacturers, or other producers representing products in the process of production or marketing, or that of merchants representing goods in movement to market, on hand, or in the process of export or import. However, the paper must be endorsed by a member bank before it is eligible for rediscount at the Federal Reserve Bank, and must mature within ninety days after the date of rediscount, except notes, drafts, and bills drawn or issued for agricultural purposes, or based on live stock, all of which may run for a maximum of six months.

It was this principle of elasticity established through the rediscounting of paper and the issuing of Federal Reserve notes that made it possible for the Federal

Reserve Bank of Chicago to furnish, through the member banks, the currency needed by business men and farmers of this district during 1920 and 1921. In the last few months, the gold holdings of the Federal Reserve bank have so increased and the amount of notes outstanding decreased that the Federal Reserve notes are now secured by more than 100 per cent in gold.

The point is that while the security back of the notes is absolutely safe, Federal Reserve notes are elastic because the borrowers' paper increases and decreases in volume with the demands of business for accommodation; and is based upon goods readily salable, Government obligations, or other assets, which may be realized upon almost without delay. The safety of the notes is further augmented by the minimum reserve requirement of 40 per cent of gold against all notes in circulation.

When business activities increase, the amount of borrowers' paper increases. The local banks present the paper of the business man and the farmer to the Federal Reserve bank and notes are issued. Then the local banker is able to supply the needs of his customers with the Federal Reserve notes.

In like manner, when the volume of business decreases, the borrowers return currency to their banks in payment of loans, and as the banks ship the currency to the Federal Reserve bank to liquidate their borrowings, the equivalent in Federal Reserve notes is retired from circulation. Thus the elastic quality of the Federal Reserve notes makes it possible to meet the seasonal needs of business and agriculture and at the same time avoid inflation.

ERRATA

Milwaukee retail trade percentages given are for the district; those for the district are as given for Milwaukee.